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UNCLAS SECTION 01 OF 04 AMMAN 001697

SIPDIS

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TAGS: [KTFN](#) [PTER](#) [PREL](#) [XF](#) [JO](#)
SUBJECT: 5TH MENA-FATF PLENARY

REF: ABU DHABI 4393

SENSITIVE

1. (U) Summary: Jordan hosted and presided over the fifth plenary of the Middle East North Africa Financial Action Task Force (MENA-FATF) from April 2-4 at the Dead Sea. Over the course of the plenary, delegates endorsed a World Bank anti-money laundering/combating the financing of terrorism (AML/CFT) assessment of Tunisia, created two ad hoc committees to study money laundering typologies, approved additional mechanisms for cooperation with regional and international bodies, and adopted a variety of internal procedures. The last day was devoted to a seminar on mutual evaluation preparation for member countries undergoing AML/CFT assessments. End Summary.

Well-attended with some exceptions

¶2. (SBU) Dr. Umayya Toukan, Governor of the Central Bank of Jordan (CBJ) and current President of the MENA-FATF, personally chaired the plenary which was well attended by both member countries and observers, including the U.S., the United Kingdom, France, Spain, the Palestinian Authority, the Financial Action Task Force (FATF), the International Monetary Fund, the World Bank, the Egmont Group, the Gulf Cooperation Council (GCC) and the UN Office on Drugs and Crime. The absence of the United Arab Emirates, the organization's current Vice President, was an exception to this otherwise robust turnout. No representatives from the Saudi Arabian Financial Intelligence Unit attended the plenary.

¶3. (SBU) Note: In a private meeting with a member of the U.S. delegation, Toukan expressed frustration with the U.A.E., noting that this was the second time in two years the U.A.E. failed to appear at a plenary. (The U.A.E. was absent from the March 2006 plenary in Cairo, Egypt.) He indicated that he would see the U.A.E. Central Bank Governor later in the month and remind him of the importance of consistent attendance. In his closing remarks before the plenary, Toukan noted the absence of the U.A.E. and pledged to ask for their attendance at the next plenary. End note.

Day One: Housekeeping, Creation of Ad Hoc Committees, and Adoption of Mutual Evaluation Procedures

¶4. (U) After opening remarks by Toukan, FATF President Frank Swedlove, MENA-FATF Executive Secretary Adel Al-Qulish, and Jordan's Minister of Justice Sharif Al-Zu'bi, the plenary dealt with minor housekeeping items (e.g., adoption of 2006 annual report, budget, etc.) before approving Lebanon's proposal to create two ad hoc committees to study AML/CFT vulnerabilities associated with Designated Non-Financial Businesses and Professions (DNFBPs) and Politically Exposed Persons (PEPs). Delegates from Saudi Arabia, Lebanon, Bahrain, Jordan, Egypt, Algeria, Syria, and Morocco expressed an interest in participating in these committees.

¶5. (SBU) The plenary then turned to a discussion of proposed mutual evaluation procedures. The procedures for adopting mutual evaluations for GCC countries, which are concurrently members of both the MENA-FATF (as individual states) and the FATF (collectively through the GCC), proved to be a sticking point. Delegates expressed concern that joint MENA-FATF/FATF mutual evaluations had to be separately endorsed by both the MENA-FATF and FATF plenaries, raising the specter of possible discrepancies in the reports ultimately adopted by the different organizations. The

procedures were adopted, however, after a variety of international observers, including the U.S., the U.K., and the FATF explained that simultaneous membership in the FATF and FATF-style regional bodies is a common occurrence and has yet to lead to the endorsement of conflicting reports.

16. (U) The day concluded with a presentation by Arab Bank's Head of Global Regulatory Affairs, Michael Matossian, on the experience of Arab Bank in developing its AML/CFT compliance program.

Day Two: Tunisian Assessment, Technical Assistance, and Engagement with Other Regional Bodies

17. (SBU) The morning of the second day was devoted to discussion of the World Bank's AML/CFT assessment of Tunisia. Armed with a lengthy PowerPoint presentation, the Tunisian delegation argued vociferously for raising its compliance ratings with respect to a number of FATF recommendations. Several other delegations agreed with Tunisia's argument that the World Bank assessment was overly harsh in certain areas and, as a result, upgraded Tunisia's ratings for compliance with FATF recommendations on professional secrecy, suspicious transaction reporting, cross border reporting, and coverage of overseas branches and subsidiaries.

18. (SBU) In response to the renegotiation of Tunisia's compliance ratings, a number of international observer delegations intervened to emphasize the value of an accurate and transparent evaluation process based on the FATF evaluation methodology. The U.S. delegation urged representatives to shift the focus away from compliance ratings and towards compliance implementation by recognizing that sub par scores can be used to demonstrate the need for additional AML/CFT resources to home country legislative and executive authorities. The World Bank, FATF, and the UK emphasized that the assessment team utilized international standards through the use of the objective criteria established in the common (i.e. FATF, World Bank and IMF) evaluation methodology. They noted these criteria must be satisfied through the development of transparent legal mechanisms and institutions. Incidental or informal compliance, they argued, is insufficient. The World Bank added that it is important to safeguard the rigor and objectivity of the assessment process in order to provide developing countries with a clear understanding of AML/CFT vulnerabilities. Only then will governments be able to take the necessary remedial steps to allow their financial services sectors to become globally competitive.

Note: This follows a similar discussion at the 4th MENA-FATF plenary concerning the Syrian mutual evaluation which resulted in an upgrade of Syria's compliance ratings based on Syria's perceived effort rather than verifiable results or criteria. (Ref A.)
End Note.

¶9. (U) Following adoption of the Tunisian assessment, the plenary then discussed the provision of technical assistance to the Iraqi financial intelligence unit. Due to the prevailing security situation in Iraq, the plenary decided that any technical assistance provided by member countries should occur outside of Iraq. The United Arab Emirates, Egypt, and Jordan were mentioned as possible training venues. The plenary also accepted the Asia Pacific Group's (APG) invitation to the MENA-FATF to serve as an observer at the APG and, on the basis of reciprocity, granted APG observer status at MENA-FATF.

¶10. (U) In his concluding remarks, Governor Toukan announced that the next MENA-FATF plenary will be held in Damascus, Syria from November 4-8, ¶2007.

Seminar on Mutual Evaluation Preparation

¶11. (U) After the conclusion of the plenary, a seminar on mutual evaluation preparation for countries undergoing AML/CFT assessments was held on April 4. Speakers from the FATF, World Bank, and the IMF described the mutual evaluation process, and provided guidance to member countries on the role of the evaluated country, the mutual evaluation questionnaire, and the mutual evaluation report drafting process.

Bilateral Meetings

¶12. (SBU) On the margins of the plenary, U.S. delegation members engaged in productive discussions with several MENA-FATF members and observer organizations. Delegation members discussed the renewal of training and technical assistance programs with the Iraqi delegate. The US delegation also had productive discussions with the World Bank and IMF on Yemen's new draft AML law, and on technical assistance coordination with respect to Iraq. U.S. delegation members confirmed Egypt's willingness to undergo an FSAT assessment, (first raised at the US-Egyptian Counter-terrorism Working Group meeting in March), and received initial approval from Kuwait on a revised FIU training seminar.

CONCLUSION AND COMMENT

¶13. (SBU) Despite the absence of the U.A.E., the 5th MENA-FATF plenary was well attended and enjoyed strong delegate participation. Delegates pushed forward on new typologies research, continued building organizational infrastructure by adopting internal policies and procedures, approved a member country assessment, and took steps to further integrate the MENA-FATF into the global network of FATF-style regional bodies. The agenda, however, was less substantive than that of the previous plenary given that only one member country was assessed and no MENA-FATF mutual evaluations were conducted.

¶14. (SBU) The debate surrounding the adoption of the World

Bank's Tunisia assessment demonstrated that the MENA-FATF is still a work-in-progress. Delegates spent a great deal of time attempting to raise Tunisia's compliance ratings, rather than focusing on how to help Tunisia fill the gaps in its AML/CFT regime. Moreover, the potential for "grade inflation" could make it difficult for assessors to assign lower compliance ratings to any but the most egregious offenders. Over time, this could undermine the integrity of the MENA-FATF. The interventions of the international observers on this point, however, seemed to have registered with delegates who ultimately adopted the assessment with only four upwards ratings revisions. It is also likely that assessments undertaken by fellow MENA-FATF assessors will enjoy greater legitimacy than those undertaken by "outside" organizations such as the World Bank, however objective they may be.

¶15. (U) This cable was cleared by the members of the U.S. interagency delegation.

HALE